

INFORMATION REPORT

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794, OF THE U.S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO ANY PERSON BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. THE REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

[illegible]

25X1

CONFIDENTIAL

-2-

changes in the production plans handed down from Mukden, which would be more convenient for the factories to fulfill. However, they had small success in effecting changes. [redacted] in late 1951, when the production plans were issued for 1952 by the authorities in Mukden, the Chinese authorities in that city were not yet in full control of the industry of Northeastern China. This was even more true as regards the Industrial Administrations of the Chinese for North and Central China. As a result, the Chinese seemed incapable of placing sensible orders for such a factory as Machine Factory No 17 in Dairen. The orders were unsuitable in regard both to items and quantity. Perhaps later it became more efficient, but for 1952 this procedure caused many difficulties at No 17 and its general output had to be reduced. The above data indicates then the situation as of early 1952. It shows a significant change in Soviet economic policy in Dairen, as compared to previous years, when practically all material supplies came from the USSR and most of the Dairen production was destined for the USSR. The exception to this had been the products needed for rehabilitation and development of local factories and for use by the Soviet Army stationed on the Kwantung Peninsula.

25X1

4. The main idea, [redacted] behind the Soviet dismantling and appropriation of machinery in Dairen was to reduce the industrial war potential of Northern China and the Kwantung Leased Territory. A concomitant factor was that the USSR obtained additional machinery. The latter factor at times predominated, as when railroad rails were removed to the USSR. Therefore, the Soviets first demolished metal working plants in the Dairen area, and the largest plants suffered the most. Electric power plants in those factories were removed, including the heaviest and newest machinery, which also included presumably all electric motors. Some plants, such as the new ship-building yard at Pearl Beach, about five km west of Hoshigaura, was practically demolished, as well as a new steel plant in Chin Chou, which was 50 km north of Dairen along the main railroad line. Smaller and older machines were stolen by Chinese mobs. [redacted] most other factories which did not work metals were not effected by Soviet removals and even were protected against looting. Such installations included flour mills and vegetable oil mills. Many smaller Chinese factories were not effected, even those which did metal work. The large Onoda cement plant was not destroyed. This plant was about five km southwest of Shu Shui Tse station, which is the point where the railroad line for Port Arthur and the main railroad line to the north divide. An airfield is located close to the station. Large plants such as the soda factory, the chemical factory, and the mineral oil refining plant had been looted and were out of commission as of 1948. [redacted] exactly how the destruction of these plants was carried out, but [redacted] machines capable of precision and electric motors were taken by the Soviets, everything easy to move was looted by the Chinese, and general destruction was caused by nature, as the plants were not protected and often remained without roofs. The recovery of industry in Dairen was far from 100%. Some plants were put out of commission permanently. The process of industrial recovery was started by the Department of Economy of the Soviet Civil Administration, which formed certain types of industrial activity into "trusts" or "companies". These activities were entrusted to Soviet engineers temporarily relieved from army duties. These activities included DAIKINERGO, Kwantung Riba (a fishing company) Dal Dock, Dairen Port and perhaps other installations. These trusts became a focal point for collecting plants and available machinery. They were empowered to move even shop buildings if necessary. By this method, at least a part of the metal working industry in Dairen was rehabilitated in 1946-47. As victory of the Chinese Communists became more apparent, Soviet authorities

25X1

25X1

25X1

25X1

CONFIDENTIAL

25X1

CONFIDENTIAL

-3-

began to stimulate the Chinese to begin to rehabilitate other plants not included in the Soviet trusts. As a result the following plants were partially repaired: Machine Factories No 18, 19 and 20, and the chemical plant. Among the larger factories rehabilitated and operated up to 1951 by the Soviet trusts were: the railroad shops, the soda plant, plate glass plant, the electric bulb plant, Machine Factory No 17, Dai Dock, the mineral oil refining plant, and three or more vegetable oil factories, as well as a cement plant and an electric motor plant. Rehabilitation was effected mostly by utilizing local resources. Available machinery was removed, collected, and assembled, at first under the supervision of Soviet engineers and local Russian engineers and later under the supervision of Chinese engineers. The latter included men who were local residents and also those who came from Tientsin and Shanghai. Initially, existing machinery was repaired. Later machines began to arrive from the USSR and the first deliveries of this type were electric motors. [redacted] the percentage of plant and production facilities rehabilitated, but [redacted] the general industrial capacity in Dairen in 1952 was much less than half of the capacity under the Japanese.

25X1

5. In regard to the [redacted] shortage of skilled labor, [redacted] there was no such shortage in Dairen, considering the volume of industrial activity there in 1952. There was much more difficulty to find good engineers and technicians, particularly Chinese. The Chinese authorities in general wished to avoid utilizing Russian emigres on their staffs, but were unable to do so completely. However, they did remove them from administrative positions and kept them only as technical advisors.

25X1

25X1

6. In regard to the labor training programs, [redacted] as early as 1947 Machine Factory No 17 had a school of this type, which instructed 40 to 50 Chinese youngsters of both sexes. The course lasted from four to six months and later was enlarged to handle 200 men and women. The pupils spent part of their time in classrooms, part on training work benches, and part in actually working in the shops. They were paid according to the lowest grade of skill. In No 17 there were four main specialties taught: foundry, electric welding, turning, and fitting. Also there were courses for electric work and hot pressing and a few other specialties. After the pupils completed their course they were examined. Several Soviet officials were present at these examinations, usually one or two Soviet Army engineers of the Soviet Civil Administration. The graduates received the rank of second or third grade workman (according to the Soviet scale where the seventh grade is the highest). [redacted] this training program was very elementary but the "politgramata", that is the propaganda course in politics, was obligatory. There was a more advanced industrial school in connection with No 17 which was organized in about 1950 for workers of the third and fourth grade and higher. [redacted] Schools for higher technical education were also organized in Dairen and were considered to be of university level. Some of the Chinese foremen were sent there. [redacted] the program of these schools except that "politgramata" and the Russian language were obligatory. The curriculum followed that of the Soviet "Rabfak" (Rabochi Fakul'tet-Workers' Faculty); a rather incomplete system of industrial university education used in the USSR in the early 1920s.

25X1

25X1

25X1

7. In regard to any new plant construction, [redacted] since 1945, except for the relocation of some plants and the erecting of some shop buildings.

CONFIDENTIAL

25X1

25X1

25X1

CONFIDENTIAL

-4-

25X1

25X1 8. [redacted] stocks of materials in Dairen factories in early 1952 were very small in comparison to the period of 1949-50. However, stocks of completed but not delivered products at Factory No 17, for example, were large, up to half of the year's program. The reason for this accumulation was that representatives of the consumers did not arrive on time to accept the production. The reason for this, [redacted] was that the Chinese Communists' state management of industry and trade was not yet properly organized.

25X1

25X1

25X1

25X1 9. In regard to anti-friction bearings, ball bearings were produced in Wafangtien near Dairen, just on the border of the Kwantung Leased Territory. The factory which made these bearings was, [redacted] built during World War II. [redacted] there was another factory turning out the same production and located somewhere in Manchuria.

25X1

[redacted] Machine Factory No 17 used only ball bearings which came from the USSR in its production. At one time No 17 received from the USSR a large amount of ball bearings which had been made in Italy. [redacted] used local bearings. [redacted] in 1951, [redacted] one of the engineers of No 17 was sent to Wafangtien to place an order for bearings for bridge cranes. The factory there refused the order as it already had more orders than it could fill. Machine Factory No 17 produced roller bearings for the mine tip-wagons which it manufactured. The bearings were of poor quality but adequate for use at low speeds.

25X1

25X1

25X1

-end-

25X1

CONFIDENTIAL